SLND-GUARANTOR BULLETIN

#3-06 **July 12, 2006**

1. **Special Allowance Rates**
The Department has announced the Special Allowance Rate for the quarter ending June 30, 2006 for the average of the bond equivalent rates of the 91-Day Treasury bill auctioned during that period is 4.84 percent. The average of the bond equivalent rates of the quotes for the 3-month commercial paper rates in effect for that time is 5.22 percent.

2. **Teacher Loan Forgiveness Application and Forbearance Forms**
GEN-06-03 announces the approval of the revised Teacher loan Forgiveness Application and Forbearance Forms. HERA extended the increased amount for the teacher loan forgiveness beyond October 1, 2005. The Teacher Loan Forgiveness Application is used to evaluate a borrower's eligibility for up to $5,000 in forgiveness benefits for highly qualified teachers or up to $17,500 for highly qualified mathematics, science, and special education teachers. Borrower should contact their lender for eligibility determination.

3. ***Common Manual* Updates**
Batch 129 and Batch 130 *Common Manual* policy changes include the topics of:

Death of a Student or Parent
Loan Delivery via Stored Value Cards
Master Promissory Note (MPN) Signed after the Date the Student Lost Eligibility
Exceptional Circumstances for Certifying Additional Unsubsidized Stafford Loan Funds for a Dependent Student
HEROES Act Waivers
Required Updates to a Student's Dependency Status
Total and Permanent Disability Loan Discharge Determination with New Loan
Borrower Authorization to Release Loan Funds Received via EFT or Master Check
Teacher Loan Forgiveness Payment Application
Deferment Eligibility

COMMON MANUAL

Unified Student Loan Policy

Policy Changes Approved
Batch 129: Proposal 859-864
Batch 130: Proposal 852 & 865-867

The nation's guarantors provide the following summaries to inform schools, lenders, and servicers of the latest *Common Manual* policy changes. These changes will appear in the manual's next annual update. These changes will also be incorporated into the *Integrated Common Manual.* The *Integrated Common Manual* is available on several guarantor websites, and it is also available on NCHELP's website at www.NCHELP.org in the e-library. Please carefully note the effective date of each policy change.

Death of a Student or Parent

The *Common Manual* has been updated to include guidance for schools and lenders to follow in the event of a student or parent borrower's death. Information has been added to address the following issues:

1. Certification of an additional unsubsidized Stafford loan for a student whose parent dies during the loan period.
2. Lender cancellation of a Stafford or PLUS loan disbursement if the borrower, or student for whom a PLUS loan was borrowed, dies before all disbursements of the loan are consummated.
3. Treatment of a Title IV credit balance when a student dies.
4. Return of loan funds for a deceased borrower.
5. Determining the withdrawal date for a deceased student.
6. Disbursements that are not consummated at the time of the borrower's or student's death.

The school is not permitted to deliver Stafford or PLUS loan funds if the student has died. In addition, if the parent who borrowed the PLUS loan dies, the school may not deliver the PLUS loan funds after the date of the parent's death. The death of the parent creates sufficient "exceptional circumstances" to permit the school to certify additional unsubsidized Stafford loan funds for the dependent student for the current academic year if those funds would not result in the student exceeding applicable annual or aggregate loan limits.

If the student dies at any time during the loan period, the school must perform a return of Title IV funds calculation and must return all Title IV funds for which it is responsible. However, the student's estate is not responsible for returning any unearned funds that would be the responsibility of the student to repay. A school may not under any circumstances make a late disbursement or a post-withdrawal disbursement of Title IV funds on behalf of a student who has died.

Text has been added to state that the student's withdrawal date is the date related to any of the following conditions that result in the student's withdrawal:

- Illness.
- Accident.
- Grievous personal loss.
- Death.
- Other circumstances beyond the student's control.

If the lender learns that a borrower—or student, in the case of a PLUS loan—died before a disbursement is consummated, the lender must cancel all remaining disbursements. If after forwarding a loan disbursement to a school, the lender learns that the borrower—or student, as applicable—died before a disbursement is consummated, the lender must contact the school and request an immediate repayment of the ineligible funds.

Affected Sections:	**6.15.D**	**Additional Unsubsidized Stafford Loan Certification**
	7.7.K	**Disbursement Cancellation**
	8.8	**Managing Credit Balances**
	8.9	**Return of Loan Funds**

	9.4 Withdrawal Dates **9.5.A. Return Amounts for Title IV Grant and Loan Programs** **13.8.C Death** **13.9.B Teacher Loan Forgiveness Program**
Effective Date:	Updates to return of Title IV funds requirements are effective October 7, 2000, unless implemented earlier by the school on or after November 1, 1999. All other updates are effective retroactive to the implementation of the *Common Manual.*
Basis:	§668.22(c)(1)(iv); 2005-06 *Federal Student Aid Handbook*, Volume 5, Chapter 2, pages 5-65, and 5-79; private letter guidance from George Harris (Department of Education) to Reitha Scott, Florida Department of Education; private letter guidance from Jeff Baker (Department of Education) to the Honorable David Wu, U.S. House of Representatives; and private letter guidance from Jamie Malone, (Department of Education, Region V) to Greg Schweitzer, Great Lakes Higher Education Guaranty Corporation.
Policy Information:	859/Batch 129
Guarantor Comments:	None.

Loan Delivery via Stored Value Cards

The *Common Manual* has been updated to include the stored-value card as an acceptable method of delivery. The school must obtain the student or parent borrower's authorization, as applicable, to deliver Title IV funds using a stored-value card, and the following conditions must be met:

- The value of the card must be convertible to cash and may not be limited to specific vendors.
- The student must not incur any fees for using the card to withdraw the disbursement over a reasonable period of time. It would be reasonable to allow automated teller machine (ATM) withdrawals to be free, or to provide several free withdrawals per month. It would also be reasonable to charge a fee for use of an ATM that is not affiliated with the issuing bank, as long as ATMs from the issuing bank are conveniently located for the student.
- The student must not be charged by either the school or the affiliated bank for the issuing of a stored-value card. The student may be charged for a replacement card.
- The bank must have an individual account for each student that is insured by the Federal Deposit Insurance Corporation (FDIC).
- The school must not make any claims against the funds on the card without the written permission of the student, except to correct an error in transferring the funds to the bank under existing banking rules.
- The account must not be marketed or portrayed as a credit card account, nor be structured to be converted into a credit card at any time after it is issued. The issuing bank may not link the stored-value card account to any other banking services it may offer, such as checking, savings, or credit card accounts.
- The school must inform the student of any terms and conditions associated with accepting and using the stored-value card.
- The school must ensure that its stored-value card process meets all regulatory time frames for delivery of loan proceeds or payment of Title IV credit balances.
- The student's access to the funds on the stored-value card must not be contingent upon the student's continued enrollment, academic status, or financial standing with the school.

Affected Sections:	**8.3 Required Authorizations** **8.7.H Delivery Methods**
Effective Date:	Loan proceeds delivered by a school on or after October 27, 2005, unless implemented earlier by the school.
Basis:	*Dear Colleague Letter* GEN-05-16, Q&A #18 and #20.
Policy Information:	860/Batch 129
Guarantor Comments:	None.

Master Promissory Note (MPN) Signed after the Date the Student Lost Eligibility

The *Common Manual* has been updated to specify that a borrower is not required to sign the Master Promissory Note (MPN) prior to the end of the loan period or the date on which the student ceased to be enrolled at least half time to be eligible for a late delivery of Stafford or PLUS loan funds. However, the borrower must sign the MPN before a lender may make a late disbursement of loan funds. In order for a school to include Stafford or PLUS loan funds, as applicable, as "aid that could have been disbursed" in the return of Title IV funds calculation, or for a school to make a post-withdrawal disbursement, the borrower must have signed the MPN prior to the date the school completes the calculation.

Affected Sections:	**8.7.E Late Delivery** **9.5.A Return Amounts for title IV grant and Loan Programs**
Effective Date:	Return of title IV funds calculations completed on or after October 27, 2005.
Basis:	*Dear Colleague Letter* GEN-05-16, Q&A #1, #2 and #3.
Policy Information:	861/Batch 129
Guarantor Comments:	None.

Exceptional Circumstances for Certifying Additional Unsubsidized Stafford Loan Funds for a Dependent Student

The *Common Manual* has been updated to include additional 'exceptional circumstances' that a school may use to certify additional unsubsidized Stafford loan funds for an otherwise eligible dependent student. These circumstances may include, but are not limited to:

- The dependent student's parent is not a U.S. citizen or eligible noncitizen and the dependent student is otherwise eligible for the additional unsubsidized Stafford loan.
- The dependent student's parent files a bankruptcy petition and provides the school with an official letter from the bankruptcy court confirming that the parent has filed for bankruptcy and is prohibited from incurring additional debt.
- The dependent student's parent is in default on a Title IV loan.

Affected Sections:	**6.15.D Additional Unsubsidized Loan Certification**
Effective Date:	Retroactive to the implementation of the *Common Manual.*
Basis:	§682.201(b)(1)(iv); *Dear Colleague Letter* GEN-05-16, Q&A #5 and #6.
Policy Information:	862/Batch 129
Guarantor Comments:	None.

HEROES Act Waivers

The *Common Manual* history appendix has been revised by adding a new entry, dated October 20, 2005, for the publication date of the *Federal Register* that extends the HEROES Act waivers until September 30, 2007. A new section of the history appendix, H.4, entitled Statutory and Regulatory Waivers, has been created for the HEROES Act waivers and any future waivers that the Department may publish pursuant to hurricane disaster relief or other special circumstances. Section H.4 describes "affected individuals" as defined in the HEROES Act and provides for quick reference a chart that indicates which of the HEROES Act waivers or modifications apply to six different groups of individuals. The text of section H.4 summarizes the current requirement that each waiver affects, includes appropriate cross-references for more comprehensive information about each current requirement, describes each waiver or modification in detail, and discusses documentation requirements associated with granting the HEROES Act waivers or modifications.

As a technical edit, standardized cross-referencing language will be inserted into the manual's policy text to refer the reader to section H.4 of appendix H for more information about the HEROES Act waiver or modification that applies to the policy's topic.

Affected Sections:	**appendix H**
Effective Date:	December 12, 2003, through September 30, 2007.
Basis:	*Federal Registers* dated December 12, 2003, and October 20, 2005; Public Laws 108-76 and 109-78.
Policy Information:	863/Batch 129
Guarantor Comments:	None.

Required Updates to a Student's Dependency Status
The *Common Manual* has been updated to state that a student must update his or her dependency status if it changes at any time during the award year unless it changes because the student's marital status changes. If an unmarried and otherwise dependent student marries after he or she submits the FAFSA, the student remains dependent for the rest of that award year. If the student is still married when he or she submits the FAFSA for the next award year, the student is independent for that award year. If a married student divorces after he or she submits the FAFSA, the student remains independent for the current award year. However, if the student is independent in the current award year solely because he or she is married, the student is dependent in the next award year if he or she cannot answer "yes" to any of the dependency questions on the FAFSA.

If the student's last remaining parent dies after the FAFSA is submitted, the student must update his or her dependency status on the Student Aid Report (SAR) and report income and assets as an independent student.

After the school certifies a Stafford loan, the certification record cannot be changed to reflect a change in dependency status. However, the school may use the updated status to recalculate the expected family contribution (EFC) and certify additional loans if the student qualifies. The school is liable for any overpayment of Stafford loan funds due to recalculation errors.

Affected Sections:	**6.8 Determining Updates to Dependency Status**
Effective Date:	Retroactive to the implementation of the Common Manual.
Basis:	2005-06 *Federal Student Aid Handbook*, Application and Verification Guide, Chapter 2, pages AVG-23 and AVG-29, and Chapter 5, page AVG-97.
Policy Information:	864/Batch 129
Guarantor Comments:	None.

Total and Permanent Disability Loan Discharge Determination with New Loan
The *Common Manual* has been revised to state that if a borrower receives a new loan under the Perkins, FFEL, or Direct Loan Programs (with the exception of a Consolidation loan that does not include any loans that are in a conditional discharge status) within 3 years of the date the borrower became unable to work and earn money, the borrower is not eligible for discharge on that loan or any loan made prior to that date. This 3-year period, i.e., the conditional discharge period, begins on the date the borrower became unable to work and earn money, as certified by the physician. The lender must review its records for any new loan(s) made to the borrower on or after the date the borrower became totally and permanently disabled. If the lender's records indicate (or the lender is otherwise aware) that a new loan(s) was made during the 3-year conditional discharge period, the lender must deny the discharge and inform the borrower.

Affected Sections:	**13.8.E Total and Permanent Disability**
Effective Date:	Total and permanent disability loan discharge applications received by the lender on or after July 1, 2006, unless implemented earlier by the guarantor.
Basis:	§682.402(c)(1)(ii)(B).
Policy Information:	852/Batch 130
Guarantor Comments:	None.

Borrower Authorization to Release Loan Funds Received via EFT or Master Check
The *Common Manual* has been updated to remove language that implies that when a borrower signs the Master Promissory Note (MPN), he or she is giving the lender permission to disburse Stafford or PLUS loan funds, as applicable, via electronic funds transfer (EFT) or master check. Revised language clarifies that when the borrower signs the MPN, he or she is authorizing the school to release funds received via EFT or master check from the school account to the student's account with the school.

Affected Sections:	**8.3 Required Authorizations** **8.7.H Delivery Methods**
Effective Date:	Information applicable to Stafford loans is retroactive to the implementation of the Federal Stafford Loan Master Promissory Note (Stafford MPN); and information applicable to PLUS loans is retroactive to the implementation of

the Federal PLUS Loan Application and Master Promissory Note (PLUS MPN).

Basis: None.
Policy Information: 865/Batch 130
Guarantor Comments: None.

Teacher Loan Forgiveness Payment Application

The *Common Manual* has been revised to state that unless instructed otherwise by the borrower, a lender must apply a teacher loan forgiveness payment received on the borrower's behalf first to any outstanding unsubsidized Federal Stafford loan balances, next to any outstanding subsidized Federal Stafford loan balances, and then to any eligible outstanding Federal Consolidation loan balances.

Affected Sections: **13.9.B Teacher Loan Forgiveness Program**
Effective Date: Teacher Loan Forgiveness Applications received after October 1, 1998.
Basis: §682.215(f)(5).
Policy Information: 866 /Batch 130
Guarantor Comments: None.

Deferment Eligibility

The *Common Manual* has been revised to more clearly state that if all of the loans that qualified the borrower as a "new borrower" in one category are paid in full through consolidation, the borrower changes to the "new borrower" category applicable to the date on which the Consolidation loan is made. The borrower is eligible for deferments in that category on the Consolidation loan and all subsequent loans. In addition, revised policy removes an incorrect regulatory citation and replaces it with a correct citation.

Affected Sections: **11.1.A General Deferment Eligibility Criteria**
Effective Date: Retroactive to the implementation of the *Common Manual.*
Basis: None.
Policy Information: 867/Batch 130
Guarantor Comments: None.